

South Georgia Capital, LLC

Part 2A of Form ADV

The Brochure

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This brochure provides information about the qualifications and business practices of South Georgia Capital, LLC (“Registrant”). If you have any questions about the contents of this brochure, please contact us at 630-784-2200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Registrant is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

Registrant's most recent update to Part 2 of Form ADV was made in March 2010. Registrant's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by Registrant in prior years.

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Advisory Business

The Registrant primarily provides its clients (individuals, business entities, trusts, estates and pension and profit sharing plans, etc.) with discretionary investment advisory services. Currently, the Registrant allocates client investment assets primarily among various individual equity and fixed income securities, options and futures (via the affiliation of Registrant's principal, Michael McAlister with Interactive Brokers, LLC ("Interactive Brokers") - **see discussion below**), exchange traded funds, mutual funds, and separate account managers, on a discretionary basis in accordance with the client's designated investment objective(s).

The Registrant **does not** hold itself out as providing financial planning, estate planning. To the extent specifically requested by a client, Registrant may provide limited consultation services to its investment management clients on investment and non-investment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which Registrant shall usually not receive any separate or additional fee.

In addition, Registrant serves as an investment manager or Advisor to certain related collective investment vehicles, including private investment partnerships, organized to invest in securities

and other financial instruments (each a “Partnership”). In providing such services to each Partnership, the Company formulates its investment objective, directs and manages the investment and reinvestment of each Partnership’s assets and provides reports to investors. The Company manages the assets of each Partnership in accordance with the terms of the governing documents applicable to each Partnership.

Interests in the Partnership that are collective investment vehicles sponsored by the Company are not registered under the Securities Act of 1933, as amended (the “Securities Act”), and such Partnerships are not registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Accordingly, interests in the Partnerships are offered and sold exclusively to investors satisfying the applicable eligibility and suitability requirements in private transactions within the United States.

The Registrant may also recommend (on either a discretionary or non-discretionary basis) that clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager[s] (the “*Independent Manager[s]*”), based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the *Independent Manager[s]* shall generally be set forth in separate written agreements between the client and the Registrant and the client and the designated *Independent Manager[s]*. The Registrant shall continue to render advisory services to the client relative to the ongoing monitoring and reviewing of account performance, for which Registrant shall receive an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Manager[s]*. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client’s stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Manager[s]*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client’s assets, are exclusive of, and in addition to, Registrant’s investment advisory fee set forth above.

On occasion, Registrant may recommend that clients invest in certain private placements and/or pooled investment vehicles managed by unaffiliated third-parties. The terms and conditions of these investments are determined on a case-by-case basis after Registrant has performed its investment due diligence on the respective investment. Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and reviewing of account performance, for which the Registrant shall receive an annual advisory fee which is based upon a percentage of the market value of assets. The fees charged by the designated third-party manager are exclusive of, and in addition to, Registrant’s investment advisory fee set forth above.

Registrant may determine to provide non-discretionary portfolio review/monitoring services on a stand-alone basis relative to those client assets that are **not** part of the investment assets maintained by the client at Pershing Advisor Solutions (“PAS”). These additional client investment assets may include investment assets that are managed directly by the client or by other investment professionals engaged by the client. The Registrant’s portfolio review service is limited to periodic review of information pertaining to these assets as may be provided to the Registrant by the client, the other investment professional(s), and/or the account custodian, and **does not** include discretionary/non-discretionary investment advisory services described above.

Please Note: Regardless of whether the Registrant provides the portfolio review/monitoring services as part of the *Investment Advisory Agreement* services or on a stand-alone basis, the client (and/or the investment professionals engaged by the client with respect to such assets), and **not** the Registrant, shall be exclusively responsible for the investment performance of these assets, regardless of whether the Registrant includes these assets on any account reports that it may provide to the client.

Registrant was founded in February of 2009 and is primarily owned by Michael McAlister and Bruce Anderson. As of December 31, 2010, Registrant managed approximately \$108 million on a discretionary basis on behalf of approximately 150 clients.

Fees and Compensation

The client can determine to engage the Registrant to provide investment advisory services on a *fee-only* basis. The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between 0.0003% and 2.50%) in accordance with the specific fee schedule attached to the *Investment Advisory Agreement* between the Registrant and the client, as follows:

<u>ASSET CATEGORY</u>	<u>ANNUAL FEE</u>
Cash and Self-Directed Accounts	0.10%
Managed Bond Portfolios:	0.65%
Actively Managed Portfolio:	1.00-1.50%
Reported Assets Held Elsewhere	.0003%
Private Investment Partnerships*	1.00%

*Private investment partnerships may also be subject to an incentive fee of up to 20% of profits subject to a high water mark.

Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Investors in Registrant's private investment partnerships pay advisory fees quarterly in arrears based upon the market value of the assets on the last business day of the quarter. The Registrant generally requires an aggregate annual minimum fee of \$5,000 for investment advisory services. However, Registrant, in its sole discretion, may reduce its annual minimum fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The Registrant may provide investment advisory services on a *Performance Fee* basis in accordance with Rule 205-3 of the Investment Advisers Act of 1940. Rule 205-3 permits a registered investment adviser to enter into an agreement with certain sophisticated clients who have the capacity to bear the potential additional risks of such a fee arrangement. An adviser can rely on Rule 205-3 only if the performance fee agreement is with "eligible" clients. Eligible clients are defined in the Rule as natural persons and companies that have *either* at least \$750,000.00 under management with the Registrant immediately after entering into a performance fee agreement *or* a net worth at the time the agreement is entered into in excess of \$1.5 Million (i.e. a natural person's net worth may include assets held jointly with a spouse). The terms and

conditions of the performance fee arrangement shall be set forth in an *Addendum* to the *Investment Advisory Agreement*. In the *Addendum*, the client will be required to represent and/or warrant that he/she/it: (1) is an "eligible" client as defined immediately above; (2) understands that Registrant is relying upon such representation for compliance with Rule 205-3; and (3) that the *Performance Fee* may be an incentive for the Registrant to make investments that are riskier or more speculative than would be the case absent a *Performance Fee*.

Compensation received by the Company from the Funds is generally comprised of fees based on a percentage of assets under management. The Company's asset based fees range up to 1.0% (per annum), of the aggregate fair market value of the relevant Fund's net asset, although reductions may be negotiated with investors on a case-by-case basis. The Fund may also be subject to a 20% performance fee on positive annual gain amounts net of fees contingent on maintaining the historical high water mark. Asset based fees are billed quarterly at the commencement of the calendar quarter during which the Company will perform the services to which the fees relate.

Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

Unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *PAS* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *PAS* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). When beneficial to the client, individual debt or equity transactions may be effected through broker-dealers with whom Registrant or the client have entered into arrangements for prime brokerage clearing services (in which event, the client shall incur both the transaction fee charged by the executing broker-dealer and a "trade away" fee charged by *PAS*). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, the client will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Commission Transactions – Options, Futures and Commodities

In the event the client desires to purchase options, futures and/or commodities for his/her/their/its account, the client may determine to do so on a non-discretionary *commission* basis through the Registrant's Principal, Michael McAlister. Mr. McAlister utilizes Interactive Brokers, a futures commission merchant, to implement investment recommendations on a commission basis. In the event the client chooses to implement by purchasing such investment products through Mr. McAlister/Interactive Brokers, *commissions* will be charged by Interactive Brokers to effect transactions, a portion of which commissions shall be paid by Interactive Brokers to Mr.

McAlister. Prior to effecting any transactions, the client will be required to enter into a new account agreement with Interactive Brokers. The commissions charged by Interactive Brokers may be higher or lower than those charged by other firms. **Please Note:** No client is under any obligation to purchase any commission products or investments through Mr. McAlister/Interactive Brokers.

Performance Based Fees and Side-by-Side Management

As stated in the Fees and Compensation section above, Registrant charges performance based fees which are fees based on a share of capital gains on or capital appreciation of the client's assets. The fact that the Registrant is compensated based on the trading profits may create an incentive for Registrant to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. Performance based fees creates an incentive for Registrant to favor accounts that pay a performance based fee over accounts that do not pay a performance based fee. In addition, the performance based fee received by Registrant is based primarily on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that clients may never realize.

Types of Clients

Registrant primarily provides customized investment supervisory services to individuals, investment companies, associated trusts, estates, pension and profit sharing plans, and other corporations or business entities. The Registrant generally requires an aggregate annual minimum fee of \$5,000 for investment advisory services.

In addition, Registrant serves as an investment manager or Advisor to certain related collective investment vehicles, including private investment partnerships, organized to invest in securities and other financial instruments (each a "Partnership"). Details concerning applicable investor suitability criteria are set forth in the Partnership's offering documents and subscription materials. Each investor is required to meet certain suitability qualifications, such as being an "accredited investor" under Rule 501 of Regulation D of the Securities Act of 1933, as amended and "qualified purchasers" as defined in the Investment Company Act, as amended.

Methods of Analysis, Investment Strategies and Risk of Loss

Registrant conducts cyclical, fundamental, or technical analysis as well as charting on securities recommended for client accounts as appropriate. As mentioned above, the Registrant allocates client investment assets primarily among various individual equity and fixed income securities, options and futures. Registrant notes that investing in securities involves risk of loss.

Please Note: Options Transactions. Although the intent of the options-related transactions that may be implemented by the Registrant is to produce current income and and/or to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Please Note: Use of Margin. To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential *conflict of interest* whereby the client's decision to employ margin shall correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

Disciplinary Information

Registrant and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

Please see disclosure above regarding the affiliation of Registrant's Principal, Michael McAlister with Interactive Brokers. In addition, Registrant's Principal, Bruce Anderson, is a licensed insurance agent, and in such capacity, may recommend the purchase of certain insurance-related products on a commission basis.

Please Note: no client is under any obligation to purchase any commission investment or insurance-related products from Registrant's Principals.

The Registrant's Chief Compliance Officer, Shelly Sypien, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Employees may invest in the same securities, pooled investment vehicles or with the same independent third-party managers as clients but will not do so on more favorable terms. To avoid any potential conflicts of interest regarding personal trades, the Registrant has implemented an investment policy relative to personal securities transactions. This investment policy is part of Registrants overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisors Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

Brokerage Practices

In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use

a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *PAS*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *PAS* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *PAS*, without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *PAS* as result of this arrangement. There is no corresponding commitment made by the Registrant to *PAS* or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

If requested, Registrant will arrange for the execution of securities brokerage transactions for the account through broker-dealers that Registrant reasonably believes will provide "best execution". In seeking "best execution", the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services including execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions.

Over-the-Counter (OTC) securities transactions for Registrant's clients are generally effected on an agency basis, which involve the services of two (2) separate broker-dealers: (1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for the client's account. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, the client will also incur the transaction fee imposed by the executing broker-dealer. Registrant does not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.

Registrant may (but is not obligated to) combine or "batch" client orders to obtain "best execution", to negotiate more favorable commission rates or to allocate equitably among Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among Registrant's clients in proportion to the purchase and sale orders placed for each client account on any given day.

The client may direct Registrant to use a particular broker-dealer (subject to Registrant's right to decline and/or terminate the engagement) to execute some or all transactions for the client's account. In such event, the client will negotiate terms and arrangements for the account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

In the event that the transactions for a client's accounts are effected through a broker-dealer that refers investment management clients to Registrant, there exists the potential for conflict of interest if the accounts incur higher commission or transaction costs than the accounts would otherwise have incurred had the client determined to effect account transactions through alternative clearing arrangements that may have been available through Registrant.

Review of Accounts

For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or Associated Persons. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with the Registrant on an annual basis.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

Client Referrals and Other Compensation

If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written disclosure statement, which discloses the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant

Custody

Client assets will be held by a qualified custodian. Clients are provided with transaction confirmation notices and regular account statements directly from their qualified custodian. Clients are urged to carefully review these account statements.

Investors in the private investment partnerships managed by Registrant receive annual audited financial statements prepared by an independent public accountant and monthly statements from the Administrator.

Investment Discretion

Registrant has the authority to determine, without obtaining specific client consent: the securities bought and sold, the amount of securities bought and sold, the broker-dealer used, and the commission rates paid for transactions in client accounts. Registrant's investment professionals are not limited in this authority except to the extent a client has established specific guidelines and/or prohibitions with respect to its investment account and specific securities.

Voting Client Securities

The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender

offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. The Registrant and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Financial Information

Registrant has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.